

LETTERS

Unless correspondents specify to the contrary, the Editor reserves the right to prune individual letters to fit the space available

CPYRGHT

Soviet Economy

SIR—Your issue of January 18th contains an interesting case of psychic reporting gone wrong. I am described there (page 189) as being sceptical of a recent CIA estimate of Soviet economic growth. Whatever this vague statement is supposed to mean, there is no basis to it except surmise.

Along with most others who have followed such matters closely, I was surprised when CIA suddenly announced a slowdown in Soviet economic growth. My surprise was, however, not at the finding but at the fact that CIA had finally found it. Although the slowdown has been taking place for a number of years, CIA along with many other analysts persistently failed to recognise its existence. Even as late as the end of 1962 reports published by CIA analysts emphasised the high rate of economic growth in the Soviet Union relative to the West. Little was said to alter Allen Dulles's confident prediction of November 1959 that "Soviet GNP will grow at the rate of 6 per cent a year through 1965," and that "the Soviets will continue to grow industrially by 8 or 9 per cent a year."

These predictions were not well founded when made and this became even more apparent in succeeding years. The compound annual growth rate in industrial production was slower in the postwar decade of the fifties than in the interwar period 1928-1940, slower in the second half of the fifties than in the first half, and slower so far in the sixties than in the second half of the fifties. Beginning with 1959, the annual growth rate has moved very close to the average for the entire period since 1913, the years of war and internal turbulence included. A similar pattern exists for the volume of inter-city freight traffic.

Agricultural production has behaved differently, showing a faster growth rate in the postwar than in the interwar years. But this has been an abnormal and transitory development, reflecting the once-for-all ploughing up of the virgin lands in the fifties. Peak agricultural production was probably reached in 1958, a year of

exceptionally favourable weather. The rough plateau since then has now been broken by the serious crop failure last year, and it seems virtually certain that the future holds little prospect of rapid growth in this area.

Because the abnormal acceleration in agricultural growth temporarily offset deceleration elsewhere, gross national product grew at the average rate of 6 per cent a year in the fifties, with various ups and downs. Even so, this was a slower pace than was experienced during the first two Five Year Plans (1928-1937). Moreover, when agricultural expansion ran out of steam, growth of the national product slipped to about 5 per cent in 1959 and to something between 3 and 5 per cent in each of the next two years.

The recent CIA report takes up at this point, but here we must rely on press accounts since the report has not been issued so far in any other form. On January 8th the *New York Times*, apparently the initial recipient of the report, quoted it as saying that "the Soviet Union's economic growth in the last two years has been less than 2.5 per cent annually." The statement, though ambiguous, is most reasonably interpreted as meaning that growth averaged less than 2.5 per cent a year, not that it was at this level for each of the two years, as your story reports. Such an interpretation is at least consistent with the statement by Walt W. Rostow in a speech of last August that the Soviet growth rate for 1962 was "somewhat under 4 per cent." CIA's estimate for 1963 could then be deducted to be of the order of 1 to 2 per cent.

When the disastrous crop failure of last year is taken into account, I do not see why estimates of this nature should be considered implausible. Aggregate growth was so low that the Soviet government did not release an official figure on the rise in "national income," substituting instead a figure on "gross social product," a measure that includes all intermediate as well as final material production and hence is influenced by effects of double-counting. We can be sure that "gross social product" showed a higher growth than "national income" in the official calculations, and yet that growth is reported as only 5 per cent for 1963. No official Soviet statistics have a reputation for understating achievements, and it is therefore surprising to find your correspondent also guessing that the actual annual growth in gross national product, as defined by Western standards, has been 5 per cent in the last two years.—Yours faithfully,

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[We apologise to Professor Nutter for our misattribution, caused by a straight misreading on our part. As for the figures, the latest Soviet information leads us to reduce our growth estimate to 2 per cent—which still seems more credible than 2 1/2 per cent.]

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